

**City of Hayward
and
Hayward Police Management Unit**

SIDE LETTER OF AGREEMENT

Regarding: Cost Saving Measures to Address City Revenue Shortfall for Fiscal Year 2012 and Fiscal Year 2013

This side letter agreement is made between the City of Hayward (City) and the Hayward Police Management Unit (HPMU) to amend certain provisions of the existing Memorandum of Understanding (effective July 1, 2004 and extended through June 30, 2015) between the parties regarding holidays and payment for holidays worked, salary adjustments, employee cost sharing (PERS), furloughs, and employee contributions towards medical premiums.

The City and the HPMU agree that the terms of this Side Letter of Agreement shall become effective July 1, 2011, unless otherwise stipulated in this Side Letter. The parties also agree that the terms of this Side Letter of Agreement are limited to those specific items contained herein and that the separate sections of this Side Letter of Agreement shall expire as indicated herein. If there is any conflict in language between the Side Letter of Agreement and the MOU, the provision in this Side Letter will supersede. Upon expiration of the terms set forth below, the amended MOU provisions shall revert to their original terms per the MOU effective July 1, 2007, as amended through June 30, 2015, on May 8, 2008.

1. Holidays and Holiday Pay (Amended July 4, 2011 to July 1, 2012)

For the period beginning July 4, 2011 and ending July 1, 2012, the original language in Section 7.04 "Payment for Holidays Worked" of the 2007 -2015 MOU is deleted in its entirety and replaced with the following language and terms:

In recognition of working all scheduled holidays, employees shall be compensated at a flat rate of \$414.02 per pay period, not to exceed 26 pay periods. In the event the employee does not work a holiday identified in Section 7.01, the employee's vacation

leave bank shall be reduced by 10 hours for each holiday not worked. The original language in Section 7.04 shall be reinstated in its entirety effective July 2, 2012.

2. Salary Administration Policy (Amended July 1, 2011 to June 30, 2013)

For FY 2012 and FY 2013, the parties agree to amend MOU Section 6.01 (Salary Administration Policy) by adding the following language:

HPMU bargaining unit members agree to relinquish permanently any salary adjustments they are entitled to receive pursuant to the current MOU for FY 2012 and FY 2013.

Notwithstanding such relinquishment, the City agrees to maintain the ten percent salary differential between police captains and police lieutenants. In that regard, should the top step Captain's salary increase during FY 2012 or FY 2013 because of the differential, the HPMU agrees to meet and confer with the City over the additional cost savings which must be achieved by the HPMU to offset the salary increase. For purposes of future meet and confer requirements, the value of this concession is 3.82% for FY 2012 and 5.85% for FY 2013. The dollar value of the percentages are based on total costs associated with regular pay, incentive pay, safety holiday pay, leave paid, FICA, city PERS Retirement contributions, life insurance premiums, long term disability premiums, and worker's compensation premiums.

3. Optional Benefits, Cost Sharing (PERS) (July 1, 2011 to June 30, 2013)

As authorized by Government Code Section 20516 (Optional Benefits, Cost Sharing), and during FY 2012 and FY 2013, employees shall pay three percent (3%) of their salaries to the California Public Employees' Retirement System (CalPERS) as payment of a portion of the City's employer contributions that the City would otherwise be required to pay to CalPERS for these employees; said contribution shall be credited to each member's account as a normal contribution. The City will not treat these contributions as compensation subject to income tax withholding unless the Internal Revenue Service or the Franchise Tax Board indicates that the contributions are taxable income subject to withholding. Each employee shall be solely and personally responsible for any federal, state or local tax that may arise out of the implementation of this provision or any penalty that may be imposed therefrom.

Pursuant to Section 20516(a), this provision shall not become effective unless and until the Hayward Police Officers' Association ("HPOA") and its members agree to its terms. In the event the HPOA does not agree to this concession and it does not become

effective, or the HPOA agrees to an amount greater than three (3) percent, the HPMU agrees to meet and confer with the City over the change. In the event the change is less than the agreed upon three (3) percent, the HPMU agrees to meet and confer with the City over the additional cost savings which must be achieved by the HPMU to offset the costs associated with this ineffective concession. The value of this concession is 2% and is based on total costs associated with regular pay, incentive pay, safety holiday pay, leave paid, FICA, city PERS Retirement contributions, life insurance premiums, long term disability premiums, and worker's compensation premiums.

4. Furlough (July 1, 2011 to June 30, 2012)

All employees have a furlough obligation of 40 hours for FY 2012. Furlough time shall be scheduled at the discretion of the Police Chief. A furlough leave bank of 40 hours shall be established effective July 4, 2011. The payback of the forty hour furlough obligation will occur during the following two pay periods: 20 hours of paid time will be deducted from the pay period beginning September 12, 2011 (for payday September 30, 2011) and 20 hours of paid time will be deducted from the pay period beginning March 12, 2012 (for payday March 30, 2012). For employees returning from unpaid leave, separating employment, or separating from the bargaining unit for any reason, payroll will coordinate any repayments with the employee and can increase an employee's pay period deduction to ensure all furlough payback is made within the furlough payback period. Notwithstanding his/her furlough payback, the employee loses any furlough hours not taken under this provision by July 1, 2012.

Any new employee assigned to the unit, or any employee returning from an unpaid status will have a furlough obligation based on the number of payrolls remaining in the furlough period and said obligation will be processed during the pay periods established at the time of appointment.

5. Flexible Benefits (July 1, 2011 to June 30, 2013)

For FY 2012 and FY 2013, Section 5.02, Flexible Benefits shall be amended by adding the following language:

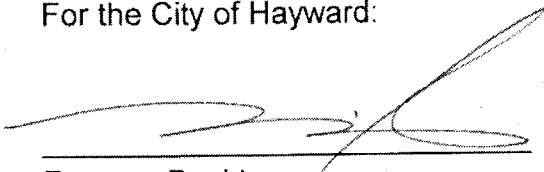
Beginning July 1, 2011 through June 30, 2012, the City shall provide the same level of benefit as set forth herein but bargaining unit members shall be required to contribute \$13,305 per employee towards the payment of medical plan premiums. A deduction of \$554.38 shall be made for the first two pay periods of every month (for a total of 24 deductions) to pay for the medical plan premiums.

Any employee newly assigned to the unit will have a medical plan premium payment obligation based on the number of payrolls remaining in the July 1, 2011 – June 30, 2012 period and based on the level of benefit selected (i.e. Employee only, Employee + 1 or Employee + 2 or more dependents). The above employee medical plan premium contributions are based on an Employee + 2 or more dependents benefit level. Should a newly assigned employee elect coverage below such benefit level, the employee's contribution shall be pro-rated accordingly.

Beginning July 1, 2012 through June 30, 2013, the City shall contribute towards the medical plan premiums for bargaining unit members and such contribution shall be equal to ninety percent (90%) of the premium for a medical coverage based on the employee's plan and participation level (i.e., Employee only coverage, Employee + 1 coverage, or Employee + 2 coverage). However, the City's maximum contribution for a bargaining unit member shall not exceed the cost of 90% of the premium for the second most expensive benefit plan (currently Blue Shield) as determined by the employee's participation level, less the amount specified in Section 5.01 of this MOU.

Executed on this 13th day of June 2010, at Hayward, California

For the City of Hayward:



Frances David
City Manager

For the Hayward Police Officers' Association:



Bob Palermini, President
Hayward Police Officers' Association